

DICK DAVIS INVESTMENT DIGEST

Hand-Picked Ideas from the Best Minds on Wall Street

Issue 702

Thirty years in publication

August 31, 2011

CANADIAN SMALL CAPS

“**Reservoir Capital Corp.** (REO 1.09 Toronto-V) is a renewable energy company operating in Southeastern Europe, primarily with hydro projects in Serbia. The company has been building its business for the past five years, but is now in a position where things are coming together. It has two very advanced development projects, Brodarevo 1 and 2, which are expected to complete feasibility studies and permitting later this year. It has a pipeline of projects throughout the region, including some geothermal properties. Two recent developments put the company in position to advance its leading projects and become a leading European renewable energy company. First, it is in the process of spinning off various metals projects in the region; although the foundation of the company, they have received little attention in recent years and this will help sharpen the company’s focus. ... Second, Reservoir recently signed a Purchase Power Agreement with GDF Suez Italia, part of the world’s largest utility, under which GDF will purchase all the power generated from the Brodarevo plants at market prices. ... Impending financing [needs] is perhaps one of the reasons the stock is weak, down from \$2 at the beginning of the year. The other reason is general concern about Europe, and Italy in particular. We think the stock is very cheap now however, valuing the company at less than \$50 million, fully diluted. We would buy now, at the current price level.”

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